



**DALLAS COUNTY**  
**COUNTY AUDITOR**

**To:** Honorable Felicia Pitre, District Clerk  
Honorable Commissioners Court

**From:** Darryl D. Thomas  
County Auditor

A handwritten signature in blue ink that reads "Darryl D. Thomas".

**Subject:** District Clerk Trust and Registry Funds Fiscal Year 2014 Audit

**Date:** Issued: February 25, 2015  
Released: March 27, 2015

We have completed an audit of the District Clerk Trust and Registry Funds for the fiscal year ended September 30, 2014 during the term of the Honorable Gary Fitzsimmons. Our audit included but was not limited to examining, on a test basis, evidence supporting registry and trust fund transactions for both invested and non-invested activity including: receipts, disbursements, investments, deposits, bank confirmations, Odyssey case management system, Adult Information System (AIS), and registry balances. Authorizing court orders are reviewed on an ongoing basis by internal audit staff prior to the disbursement of funds.

Our review was limited in scope as ending balances (September 30, 2013) for prior period not supported by departmental records (no reconciliation to subsidiary systems).

Our specific procedures, findings and recommendations are discussed in the attached report. We recommend the improvement of: posting accuracy and completeness for all trust and registry accounts; and, reconciling trust and registry fund activity (Odyssey and AIS) to control records including Oracle General Ledger and corresponding bank statements with annual verification of all investment bank balances and non-invested funds.

## **Scope**

An audit was performed (to comply with Local Government Code {L.G.C.}, § 117.123) on the financial records and reports for the District Clerk Trust and Registry Funds including the Fund 504 bank account. Audit procedures were developed to examine, on a test basis, evidence supporting registry and trust fund transactions for both invested and non-invested activity including: receipts, disbursements, investments, deposits, bank confirmations, Odyssey case management system, Adult Information System (AIS), and registry balances and determine whether trust and registry activity is in compliance with L.G.C., § 117 (Subchapter E), Property Code, § 142.004, and Government Code, § 2256.005, 2256.016, 2256.017, and 2256.019.

Our review was limited in scope as ending balances (September 30, 2013) for prior period not supported by departmental records (no reconciliation to subsidiary systems {Odyssey and AIS systems}).

## **Background**

Payments made into the registry of the court consist of: funds of minors or incapacitated persons, funds tendered in an interpleader action, funds paid in satisfaction of a judgment, cash bonds, and any other funds tendered to the clerk for deposit into the registry of the court.

District Clerk Trust section is responsible for receipting, depositing, investing, and disbursing trust and registry funds, including maintaining account activity (non-invested, invested and criminal cash bonds) in Odyssey and reconciling the Fund 504 bank account.

AIS is not used to track felony cash bond balances. Felony cash bonds receipted in AIS by the Sheriff are inconsistently entered to Odyssey by the District Clerk Trust staff. A listing of felony cash bond activity is also maintained in an external database by the Trust section. Subsequent disbursement information for felony cash bonds are entered to Odyssey with no entry to AIS. A standard report is not available within Odyssey to identify outstanding felony cash bond balances.

Registry funds are invested (in accordance with L.G.C., § 117, Subchapter E) in interest bearing accounts through: financial institutions; TexPool (an interlocal investment pool authorized under Government Code, § 2256.016); and, the Texas tomorrow fund (authorized under Property Code, § 142.004 and Education Code, Chapter 54, Subchapter F). Fund 504 checks are issued/invested to each "separate account" on behalf of the individual per court order. Investments in TexPool accounts do not require a court order. Trust clerks manually post registry disbursements for investments to Odyssey as a decrease under the 'Uninvested' section and as an increase under the 'Invested' section.

L.G.C., § 117.123, was amended during the 83<sup>rd</sup> Texas Legislative session with permissive language allowing the audit of registry funds to be completed by the county auditor or an independent external CPA selected by commissioners court.

## **Review Procedures**

An audit of FY2014 registry and trust fund transactions for both invested and non-invested activity was conducted using sampling methodologies and included but was not limited to:

- Request investment listing as of September 30, 2013 and bank list from District Clerk
- Send confirmations to financial institutions to verify balances (\$12.2 million of \$13.6 million invested) for a sample of accounts (includes 100% of TexPool accounts)
- Reconcile District Clerk investment listing to Odyssey's Investment Summary Report as of September 30, 2014 and compare to bank confirmations (notified the District Clerk Trust section of variances)
- Review a sample of investments for proper posting to Odyssey and compliance with state statutes
- Reconcile 100% of Odyssey civil and family registry 'Un-invested' receipts (increases) to Oracle General Ledger (GL) and corresponding deposits and review a sample for appropriateness
- Reconcile 100% of Odyssey 'Invested' decreases to Odyssey 'Un-invested' increases using Odyssey Registry and Account Journals
- Reconcile 100% of Odyssey registry 'Un-invested' disbursement activity and felony cash bond disbursements to Oracle Accounts Payable (AP) and review a sample for appropriateness
- Reconcile 100% of registry disbursements for investments from Oracle AP to Odyssey 'Invested' section
- Compare AIS felony cash bond receipts to Odyssey 'bond' receipt postings
- Review all disbursements to the wire transfer account
- Trace all cancellations and a sample of stale dated items for proper posting to Odyssey
- Trace sample court orders to ensure any ordered funds were deposited, invested, and/or disbursed into the registry of court
- Determine if department reconciles Fund 504 bank account to Oracle GL and to Odyssey including felony cash bonds

## **Findings (refer to attachment for management responses)**

1. A review of District Clerk investments to "separate accounts" (included but was not limited to: reviewing District Clerk investment listing as of 9/30/2014; reconciling to confirmed bank balances for sample accounts; reviewing sample bank statements; reconciling to Odyssey Investment Summary report; reconciling Oracle AP disbursements to Odyssey; and, verifying Odyssey postings) revealed investment report provided by District Clerk totaling \$14,361,305.34 (adjusted for timing items) was overstated by \$133,037.97. Reasons for overstatement include:
  - A review of 304 bank confirmations revealed:
    - 178 accounts with \$17,290.49 in unrecorded interest on Odyssey
    - Nine accounts with \$80,019.98 in over-recorded interest on Odyssey due to posting errors
    - Three accounts totaling \$2,833.33 not recorded as investments on Odyssey
    - One duplicate posting for \$50,000 on Odyssey (as investment and as a civil bond)

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- One account with the investment short posted by a \$1 to Odyssey and one account for .50 closed without adjustment to Odyssey
- One account with the wrong bank account number on Odyssey and one account with the wrong bank name listed

***Refer to attached management response 1 in reference to the above items.***

- One Texas Tomorrow account for \$12,860 closed with funds transferred to pay school expenses without notification to the District

***Refer to attached management response 2.***

- One account totaling \$5,769.95 improperly disbursed by the bank directly to the minor in 2010 without notification to the District Clerk
- One account reduced by \$6,467.36 for child support liens without notification to the District Clerk

***Refer to attached management response 3 in reference to the above items.***

- Two disbursements and corresponding investment accounts totaling \$1,955 not recorded to Odyssey

***Refer to attached management response 4.***

2. A review of all Trust/Registry Fund 504 disbursements (including all disbursements to the wire transfer account), all voided and cancelled disbursements, a sample of stale dated disbursements; and a sample of corresponding court orders revealed:

- Fifty-four registry disbursements were not posted to Odyssey including seven offsetting cancellations

**Status:** 40 of the 54 disbursements were posted to Odyssey in FY15 with most posted after notification during audit fieldwork

***Refer to attached management response 5.***

- Three cancellations were not posted to Odyssey

**Status:** All were posted to Odyssey in FY15 after notification during audit fieldwork

***Refer to attached management response 6.***

- Thirty-four instances of delays greater than three business days occurred between actual check issuance dates and postings to Odyssey

**Prior Years' Status:** 48 postings of prior years' previously unposted disbursements and cancellations

***Refer to attached management response 7.***

- Two disbursements were posted for the wrong amount to Odyssey by \$1.20
- One valid disbursement amount was incorrectly voided on Odyssey and re-entered for the \$29,753.88 than the actual check amount. A corresponding wire transfer deposit from TexPool for \$29,753.88 was not recorded to Odyssey.
- Nine disbursements were posted with the wrong check number to Odyssey (net case balance affect is zero) diminishing system research results for subsequent issues

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- One instance where the check posted to Odyssey was not part of the disbursement detail listed on Oracle

***Refer to attached management response 8 in reference to the above items.***

3. A review of Odyssey registry activity including the comparison of registry deposits/disbursements to the Oracle GL revealed:

- 'External Investment' used 133 times to record interest under the 'Invested' section. A sample review revealed most instances were for accounts that were being closed and included multiple years of interest earned rather than posted as type 'Interest'

***Refer to attached management response 9.***

4. A review of 20 cases from the Odyssey Un-invested Funds Report and 20 cases from Discoverer report for Fund 504 revealed:

- Seventeen cases with amounts in the registry as un-invested. However, the funds should be invested per the associated court order

***Refer to attached management response 10.***

5. A review of the Trust account signature forms, TexPool agreements, and other authorization forms revealed:

- Updated account cards not provided to the Auditor's office
- The Accounts Payable authorization form for the pre-disbursement file is not updated timely. One inactive employee remains on the form after transferring to another department.

***Refer to attached management response 11.***

6. An inventory of court ordered items retained in the District Clerk vault revealed:

- Two inventory items were in the vault, but not located on the inventory log
- One inventory item listed on the inventory log, but not found in the vault
- Four inventory items listed on the inventory log, but the items were released in accordance with orders of the court

***Refer to attached management response 12.***

7. Felony cash bond details (receipts, disbursements, and cancellations) are inconsistently recorded to Odyssey. A comparison of AIS felony cash bond receipts (deposited to Fund 504) to Odyssey criminal bond receipts and department criminal bond listing revealed:

- Two bond receipt amounts were incorrectly entered in Odyssey for \$2,825,016 more than the actual bond amounts
- One pre-trial release bond incorrectly recorded to Odyssey as a felony cash bond
- One misdemeanor bond incorrectly recorded to Odyssey as a felony cash bond
- Twenty-two bond receipt numbers posted incorrectly to Odyssey
- Nine instances where the bond receipt was not posted to Odyssey
- One instance where the bond receipt was not posted to the department's Excel bond listing
- Four instances where the bond receipt was posted twice to Odyssey



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- Thirteen instances where the bond receipt was posted twice to the department's Excel bond listing
  - Two bond receipts on Odyssey without felony cash bond postings traceable AIS (data possibly expunged)
  - Delays of several days to several years in posting the felony cash bond receipt to Odyssey  
***Refer to attached management response 13 in reference to the above items.***
  - Old items dating to year 2000 reportedly not previously escheated with receipts recorded to Odyssey in 2014 prior to the annual escheatment disbursement in June 2014  
***Refer to attached management response 14.***
  - District Clerk Trust section does not reconcile felony cash bond activity to system control records due to inadequate or non-existent system reporting. A standard report is not available within Odyssey of pending felony cash bond balances.  
***Refer to attached management response 15.***
  - Felony 'cash bond' tab on AIS is not used to record disbursements or cancellation related to refund or forfeiture of cash bonds  
***Refer to attached management response 16.***
  - Triple entry of felony cash bond receipt activity occurs to various databases with no reconciliation of the accounts: original felony cash bond payment receipted by Sheriff and deposited to Fund 504; District Clerk Trust section enters to Odyssey; and, District Clerk Trust section enters data to an external database  
***Refer to attached management response 17.***
  - Insufficient information exists on Odyssey registry reports to locate external bonds in Odyssey. Inquiry fields such as bond number and case number are not captured on Odyssey registry reports. Although the Odyssey registry reports include the bond receipt number, Odyssey does not allow bond data to be queried by the actual cash bond receipt number. District Clerk does not populate the 'case number' field in Odyssey and uses the numeric portion of the actual case number to enter in the 'bond number' field.  
***Refer to attached management response 18.***
8. District Clerk Trust section does not reconcile the Registry & Trust Fund activity to the GL or to the Fund 504 Trust/Registry bank account. The District Clerk's office relies on the County Treasurer for bank reconciliations which does not include reconciliation to subsidiary systems (Odyssey and AIS) or other records maintained by the District Clerk.  
***Refer to attached management response 19.***
9. A review of Internal Revenue Service (IRS) Form 1099-INT's reported by the District Clerk for calendar year 2014 revealed:
- One instance noted where the interest earned in December 2013 was reported on the 1099 for 2014.
  - Two instances noted where the interest in Odyssey does not match the interest reported on the 1099's.

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- One instance where \$128,601.50 was incorrectly recorded as interest under the Invested section in Odyssey.

**Status:** Amount was correctly reported on the Form 1099-INT.

- One instance where a 1099 was not generated, although the interest earned was greater than \$10.

*Refer to attached management response 20 in reference to the above items.*

## Recommendations

1. Trust and Registry Fund control procedures and banking safeguards require that:
  - All Fund 504 disbursements should be: accounted for; issued to the proper payee for the correct amount in a timely manner and in accordance with L.G.C., § 117.121; reference the relevant case information; and posted timely and accurately to the Odyssey courts system
  - All Fund 504 voids, cancellations, and stale date checks should be: accounted for; and posted timely and accurately to the Odyssey courts system
  - An automated process should be developed where possible to limit manual or duplicate data entry
  - Case balances should be reviewed on a periodic basis for verification/confirmation of actual available balance
  - Assigned cash handling duties should be properly separated for effective controls and so no one person has complete access to cash through receipting, recordkeeping, and disbursement responsibilities
  - Fund balances and subsidiary (Odyssey and AIS) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy with any correcting entries processing timely
  - Supervisory verifications of all cash transactions (receipts or disbursements) should be evidenced on subsidiary reconciliations
2. All posting errors and unposted items (for disbursements, cancellations, stale date checks, mainframe conversion, interest, and investments) should be corrected / recorded to the Odyssey courts system.
3. All unclaimed funds should be escheated in accordance with Property Code, Chapters 74 and 76 and orders of the court. All unclaimed monies valued \$100 or less should be escheated to the County Treasurer in accordance with Property Code, § 76.001.
4. Registry/Trust fund and investment control procedures require that:
  - Investments should be made in accordance with statutory guidelines (L.G.C., § 117, Subchapter E; Government Code, § 2256.016; and, Property Code, § 142.004) and court orders at best available yields with funds fully insured using checklists or reconciliation forms
  - All investment activity should be accurately and timely recorded to the Odyssey courts system under the appropriate party's 'Un-invested' and/or 'Invested' section
  - Invested and un-invested balances should be reviewed on a periodic basis to safeguard funds and improve reporting accuracy affirming interest with official records of banking

institutions (e.g., a management plan including annual verification of all investment bank balances and un-invested should be developed and implemented). All remaining un-invested balances created as a result of conversion from the mainframe to Odyssey should be researched and corrected as appropriate.

- Assigned cash handling duties (including investment responsibilities) should be separated for manual and Odyssey courts system functions
  - Fund balances and subsidiary (Odyssey and AIS) ledgers should be reconciled against control records (GL and bank statements) to safeguard funds and improve reporting accuracy
  - Supervisory verifications of all cash transactions (investments, receipts, or disbursements) should be evidenced on subsidiary reconciliations
5. Interest earned should be posted as registry type 'Interest' to the Odyssey courts system 'Invested' section accurately and timely to support research and reconciliation efforts.
  6. A management plan should be developed to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system. Consider creation of an export file from AIS to import new felony cash bond data to Odyssey to avoid duplicate entry (triplicate including Excel database), data entry errors or unrecorded receipts. Absent an export file, felony cash bond receipts should be accurately and timely recorded to Odyssey. Reconciliation of felony cash bond activity including receipts, disbursements, cancelled checks, and stale date checks should occur on a periodic basis with ongoing management review. Expansion of Odyssey or AIS functionality for felony cash bond activity should be considered.
  7. An annual inventory of the vault safekeeping items should be completed. Inventory logs should be updated accurately and timely when safekeeping items are deposited and released per court order.
  8. All adjustment tills (including those for wire transfers) should be closed and included as an Odyssey deposit daily. The use of adjustment entries should be limited to corrections.
  9. Interest earned should be accurately and timely recorded to Odyssey and accurately reported to the IRS in the correct calendar year on Form 1099-Int.

### **Summary**

This review is intended to support the management of the District Clerk's office in evaluating internal controls over registry activity including investments. While internal controls and financial reports were reviewed, all matters of a material weakness may not have been identified. It is the responsibility of the District Clerk's office to establish and maintain effective internal control over compliance with the requirements of law and regulations applicable to the department.

Highest areas of risk which need to be addressed include: accurate and complete posting of disbursements, cancellations, stale date checks, and investment activity; accurate, complete, and timely posting of interest earned; reconciling Trust and Registry activity to control records



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including subsidiary systems (Odyssey and AIS), Oracle GL, and corresponding bank statements with annual verification of all investment bank balances and un-invested funds (including felony cash bonds).

Inadequate controls over processing and/or classification of accounts were noted where management or employees in normal course of performing assigned functions failed to prevent or detect and correct misstatements on a timely basis.

The financial balances except for errors in recording interest and account; verifying differences for select transactions or security; and timeliness in posting fairly represent cash held in trust.

Emphasis on outlined procedures should provide for improved and accurate investment and un-invested balances. Consideration of all issues and weaknesses should be incorporated by the District Clerk as a self-assessment tool. Adherence to and follow-through with the recommendations should strengthen internal control and compliance with state statutes, orders of the court, and Dallas County policies and procedures.

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District Clerk Management Responses

1. The District Clerk recognizes that the error rate associated with the posting of interest to accounts in the case management system is unacceptably high and prevents the department from accurately accounting the growth of the trustee's fund over time. Management concurs that additional oversight is needed to ensure the posting of balances and interest is accurately and timely recorded in the Odyssey financial tab. Trust department procedures have been modified to include daily review and secondary verification of postings by assigned staff other than the staff that entered the posting. Trust department management will pull a sample of accounts for spot-audit on a quarterly basis to ensure accuracy and compliance and include the findings on the monthly report to the District Clerk for the subject period.
2. As the fund custodian, the District Clerk's office is solely empowered with initiating the disbursement of funds held in trust. The Trust department sent the court order and paperwork directly to Texas Tomorrow Fund to close out account and release the funds back to Dallas County so that the department could pay out according to the court's order. The Fund did not follow directions in the letter and remitted the funds directly to the trustee's college as it appeared in the order. The District Clerk is liable for the proper remittance of trust accounts in her custody. The clerk has directed management to document in writing the steps it has taken to ensure Texas Tomorrow Fund understands the process by which trustees funds are remitted and has addressed the issue with the Dallas County District Attorney for advisement.
3. The department provides financial institutions with a copy of the investment court order and which specifically states that the account can only be closed by the District Clerk's office. We will revisit the contents of the transmittal letter and the investment orders with the District Attorney's office to ensure clarity and include a specific reference to child support liens. Both of the above errors involved accounts held at Compass Bank where the institution disbursed funds without authorization by the District Clerk. Management has terminated its relationship with Compass Bank and withdrawn all deposits except for two that are awaiting court close-out orders. In 2009, the District Clerk reversed the office's policy of investing with an array of nearly fifty institutions consolidating them into TexPool and those private institutions offering the highest yields on permitted instruments. Currently the office only invests new accounts with Patriot Bank or TexPool. Both institutions have long tenure with the office with no errors.
4. Management concurs that all posting errors and un-posted items (for disbursements, cancellations, stale date checks, mainframe conversion, interest, and investments) should be corrected / recorded to the Odyssey courts system.) These areas will also be checked by an independent third party within the Trust department to insure that all future postings will be correct.
5. The 54 registry disbursements were secondary to a transaction escheating funds to the Texas State Comptroller. Management has modified operational procedures by having the Investment Analyst/Supervisor check the accuracy of disbursements done by the Accounting Clerk III in Odyssey and have the Accounting clerk III check the accuracy of disbursements

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done by the Investment Analyst/Supervisor in Odyssey. These two employees are the only ones who disburse funds from the Courts Registry (Account 504).

***Auditor Comment:** The 54 disbursements were unrelated to escheating funds. None of the payees were the Texas State Comptroller.*

6. The District Clerk has instructed management to review operational procedures to identify ways of improving the reliability of posting account actions in the electronic system. The District Clerk has asked management to focus specifically on processes that prevent the recording of a transaction at the time a transaction is made.
7. Management has modified operational procedures to ensure all disbursements are posted to Odyssey within two business days. At least two business days is required because 504 Account check numbers are not received from the Treasurer until after 3:30pm. As a consequence it is sometimes impossible to get all these checks entered into Odyssey in the same day the checks were issued. The District Clerk will review her policies connected to funds disbursement and the same-day issuing of checks. She concurs that the act of issuing the checks should be simultaneous with its entry into the electronic financial system.
8. The District Clerk concurs that management has not implemented sufficient quality controls to ensure the accuracy of records and that the error rate is unacceptably high. As indicated above, management has revised operational procedures to provide for secondary verification and quarterly auditing to ensure compliance.
9. The District Clerk concurs that management has not implemented sufficient quality controls to ensure the accuracy of records and that the error rate is unacceptably high. Management has eliminated any option other than "Interest" in the Odyssey registry for this transaction when the institution has notified the office of an updated balance or when the account is closed out. This is now standard operating procedure and this will be verified to be correct by staff other than the ones who entered the interest initially, to insure that the postings are correct.
10. The District Clerk concurs that all investments should be at best available yields with funds fully insured and timely deposited. However, in order to invest deposits a social security number or tax ID number is required. If the fund is a minor account it will also require the trustee's date of birth. This information is not included on the court order to invest the funds, nor is it available in the case record. If not otherwise attached to the documents submitted to the clerk's registry, the clerk must contact the attorney of record, or if a minor the Guardian ad-Litem, in order to obtain it. This results in sometimes lengthy delays in depositing the funds into an interest-bearing account.

Additionally, insurance companies ordered by the court to pay into a trust fund conserved by the registry will often issue a check with no accompanied social security number or minor date of birth. This requires the clerk to source the information from the attorney of record or a minor's parents or guardians. The delay in receiving this information from the time the funds are received to the point of deposit is often greater than three days.

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The clerk notes that it is a fundamental obligation and responsibility of an attorney or a guardian ad-litem to ensure that all information is timely submitted to the court's registry to ensure compliance with the court's order to invest the funds. However, the clerk recognizes that she is obligated to notify the court in the event that a court order cannot be executed. The clerk has asked management to develop a procedure to compile a listing of non-compliant trust and notification of the court when the department is unable to comply with an investment order.

11. Management has requested copies of these cards from the banks and will forward them to the Dallas County Auditor on receipt. If any changes occur with the Trust staff, the bank will be notified and the new account card will be forwarded to the Audit department. Operational procedures have been modified to scan each card at the time a new account is opened for the records of both the Trust department and Audit.

Trust has historically submitted Accounts Payable authorization forms to the Audit office upon request. Going forward if any changes are made in regards to employees either being new hires or leaving, Trust will send new updated authorization forms to the Audit office including accounts 503 & 504.

12. The District Clerk concurs that the vault inventory log must be error free. Management has modified operational procedures to make mandatory that any items tendered or released are to be immediately posted to the vault inventory log at the time of tender or release. Management will spot audit the inventory log on a quarterly basis and include the results on the department's monthly report for the subject time period.
13. This issue will be repeated until such time as all cash bonds posted prior to December 2005 have been disbursed. Following Odyssey 'go-live' (Dec. 2005), all AIS bond postings going forward were posted immediately to Odyssey per the auditor's advice as the system of record for Fund 504 which is the account into which cash bonds are currently deposited. However, if a bond was posted prior to December 2005 was paid out subsequent to that date it would only then be posted to Odyssey. Delays of "several years" are therefore an artifact of the business process implemented when the conversion took place.

See below '*Felony Cash Bond Section Response*' for a fuller discussion of the circumstances of Odyssey posting delays.

14. Management has been instructed to review these older posted criminal cash bonds to determine the eligibility of the bonds being able to be escheated to the State Comptroller. Some of these bonds were not escheated because an address was not available to be able to send out a due diligence letter to the payer or defendant which is required by the State Comptroller. Management will interface with the district attorney's office to determine due diligence alternatives when a letter cannot be sent.
15. Management has been instructed to issue a ticket to IT Services to determine if a report can be generated from Odyssey to allow us to reconcile account balances. However, as indicated

below, inherent resource limitations make full reconciliation and best practice management of funds non-feasible. The District Clerk's reorganization proposal may address some of these deficiencies.

16. AIS does not contain this functionality however a specific drop-down menu entry may be created to record this information in the bond history tab. The clerk's quality assurance administrator will review the process for recording information and determine whether the addition of this event is feasible. Otherwise, functional expansion and modification of the AIS application is not permitted.
17. See discussion below 'Felony Cash Bond Section Response' of proposed procedural changes to the processing of cash bonds. Management will prepare biannual reconciliations on June 30th and December 31st for criminal cash bonds following implementation of new procedural changes.
18. Please see discussion below 'Felony Cash Bond Section Response'. These deficiencies are occasioned due to the functional limitations of available resources. Management has submitted a ticket to I.T. Services to have the Bond Number replaced with Case Number for Odyssey query functionality. This will allow Trust to query criminal cash bonds by the case number. Also, this same ticket is requesting for the Receipt Number to be used for query purposes. The Receipt Number for criminal cash bonds is the most unique identifier. It only pertains to one particular criminal cash bond. This will help with accuracy in posting disbursements to Odyssey.

***FELONY CASH BOND SECTION RESPONSE:***

The district clerk concurs with the auditor's recommendations that management should:

- 1.) Develop a plan to improve the tracking, recording, and reporting of felony cash bond activity within the Odyssey courts system;
- 2.) Consider creation of an export file from AIS to import new felony cash bond data to Odyssey to avoid duplicate entry (triplicate including Excel database), data entry errors or unrecorded receipts.
- 3.) Reconcile felony cash bond activity including receipts, disbursements, cancelled checks, and stale date checks on a periodic basis with ongoing management review.
- 4.) Expand Odyssey and AIS functionality for felony cash bond activity should be considered.)

However long-standing functional resource limitations prohibit the implementation of appropriate methods for the accurate receipt, accounting and disbursement of felony cash bonds. These resource limitations are secondary to the lack of an electronic case management solution in the criminal courts which was first slated for late 2009.

In 2014, the Commissioners Court opted to move forward with an as of yet undeveloped product through CUC Techshare. That product is sighted for a four court pilot in March of



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2016. However, financial functionality will not be included with that release and it is unclear when such functionality will be developed and deployed.

The complex system now used to manage Felony cash bonds involves the use of three different software applications. What was intended to be a temporary solution in 2006 has been used continuously since then. The current system occasions multiple points of error and it is not possible to effectively bring the rate down to an acceptable level. The District Clerk has therefore decided to move forward with a reorganization that will reduce points of error and produce better outcomes.

The new system will attempt to reduce the multiple data entry from five redactions to two by eliminating the use of a two separate accounting spreadsheets. Ideally, bond information entered into AIS by the Sheriff would be transferred electronically. However, it is unlikely that resources can be identified for a timely expansion in AIS functionality. Therefore it will be necessary for District Clerk staff to transfer the information manually at least once.

The District Clerk will recommend the creation of a new "500" series account both at the Bank of America and in Odyssey. Trust personnel at GACB would terminate their handling of the felony cash bonds. Subject personnel who currently handle it will be transferred over to FCCB. New cash bond event codes in Odyssey will be developed tied to the new 500 account. FCCB personnel will then be given access to the Odyssey financial tab to transfer data from AIS and build the cash bond. Personnel located at FCCB would then research and disburse the cash bonds when the courts notify them that an order has been signed electronically in the same way that 11.07 writs and appeals are handled.

The clerk notes that because Odyssey is not used for criminal case management, tracking felony cash bonds that are not otherwise tied to a cause number is problematic. Management has been instructed to explore a reasonable way to configure Odyssey to better track unrelated deposits.

It is now a mandatory and part of standard operating procedure that all criminal cash bond postings will be checked and confirmed by staff other than the clerk who initially entered the data. Accounting Clerk III will go back and review his own data entries. Then the Accounting Clerk I will review the data entered initially by the Accounting Clerk III on a daily basis

19. The District Clerk does not concur with the auditor's findings. Texas Government Code (113.008) mandates that Special Fund accounts such as the clerk's 503 & 504 be reconciled by the County Treasurer. It is a needless redundancy for the clerk to perform the same reconciliation. The Treasurer's reconciliations are forwarded to the Trust department on a monthly basis per statute.

Reconciliation of the subsidiary systems is done through Odyssey by reconciling the disbursements and deposits of the 504 Account. 504 disbursements and deposits are entered into Odyssey and each case party in Odyssey contains a spreadsheet for Registry transactions. Reconciliation is performed on a case by case basis. The balance is always

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listed under the case party in Odyssey whether the funds have been invested out of the Registry or if the funds have been deposited back into the Registry. Odyssey automatically computes the disbursements or deposits when entered showing the balance of funds.

***Auditor's Comments:** The County Treasurer performs bank reconciliations to the GL not to the subsidiary systems. A monthly reconciliation of the subsidiary systems to control records should be completed by the District Clerk and list reconciling items such as: disbursements and cancellations not posted; posting errors; and, deposits in transit and other timing items. Corrections should be posted timely the following month. The monthly reconciliation should be reviewed by management and evidenced by signature and date. The reconciliation should be supported by a listing of individual case balances and bond balances which agree to Fund 504 GL and bank balances.*

20. The District Clerk concurs that additional oversight and verification may be needed to ensure the rate of transcription errors is as low as possible.

All 1099's other than TexPool's are issued by the financial institution as required by Federal statute. The clerk forwards these 1099's prepared by the financial institution to the subject party. TexPool 1099's are generated by the Trust department based on information contained on its website and then calculating interest for the previous 12 month tax period. The Trust manager will instruct the Accounting Clerk III to double check the figures for future TexPool 1099 issuances.

The two instances where the interest in Odyssey did not match the interest reported on the 1099's were due to timing issues from when TexPool sends us an account statement to be posted and when the 1099 is generated.

The instance where a 1099 was not generated is because the Trust department has to deduct 10% of the interest earned each tax year from the TexPool 1099. This amount is the administration fee the District Clerk receives. After the 10% interest was deducted, the amount fell below the \$10 threshold required to issue a 1099.